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Programme and Budget Committee

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PRACTICE OF ZERO REAL GROWTH BUDGETS

Report by the Director-General

Summary

To enable the Committee to examine the issue of a real increase in the regular budget of UNIDO for the 1994-1995 biennium, draws attention to documentation containing information relevant to the subject.

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Introduction

1. When debating the practice of zero real growth budgets, the General Conference adopted decision GC.4/Dec.19 in which, by endorsing Industrial Development Board decision IDB.8/Dec.27, it directed the Programme and Budget Committee to re-examine at its eighth session the issue of a real increase in the regular budget of UNIDO for the 1994-1995 biennium.

I. TRENDS IN PREVIOUS BIENNIUMS

2. The adoption of Board decision IDB.8/Dec.27 emerged from a discussion of the report of the Director-General on the practice of zero real growth budgets (IDB.7/28) that outlined the methodology used in preparing UNIDO budgets and examined the trends in budgetary growth since the conversion of UNIDO into a specialized agency. In that document, an indication was given of the extent of the problems attributable to zero real growth. In particular, attention was drawn to the decline in the level of the regular budget over the past two bienniums - a trend that has continued in the current biennium where a negative real growth of 0.5 per cent is observed (cf. GC.4/42, para. 96). The effects of that trend are summarized in paragraphs 10 to 13 of document IDB.7/28 and updated in the introduction to the addendum to the draft revised medium-term plan for 1994-1999 (PBC.8/10/Add.1 - IDB.10/5/Add.1).

3. In the report by the Chairman of the informal open-ended consultation group of Member States on the re-examination of the practice of zero real growth budgets (IDB.8/CRP.5) set up by the Board at its seventh session, the views expressed by the participants on the subject were duly recorded.

4. From the standpoint of the Secretariat, the budgetary resources made available to UNIDO continue to fail to match the ever-growing demand for its services without any concomitant indication given by the legislative bodies as to the relative importance of those services to Member States.

5. In the light of these developments, the Secretariat has proposed a modest resource growth for the first biennium of the medium-term plan period 1994-1999. The justification for that resource growth is given in the addendum to the draft revised medium-term plan for 1994-1999 (PBC.8/10/Add.1 - IDB.10/5/Add.1).

II. ACTION REQUIRED OF THE COMMITTEE

6. The Committee may wish to take note of the contents of the present document and recommend to the Board the approval of the resource growth proposed and the related activities described in the addendum to the draft revised medium-term plan for the period 1994-1999, which would serve as a basis for the more detailed formulation by the Director-General of the programme and budgets for the biennium 1994-1995.

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